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Steady global growth, but tariff risks loom

Global economic growth is projected at 2.8% in 2025, easing to 2.7% in 2026 before inching up to 2.9% in 2027, the United Nations said, portraying a global economy weighed down by uncertainty, shifting trade policies, fiscal pressures, and rising geopolitical and financial risks, leaving overall conditions fragile.

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Global economy stays resilient, but tariff pressures cloud outlook

Despite steep United States tariff hikes, global economic growth held up better than expected in 2025, supported by strong consumer spending and easing inflation, but deeper structural weaknesses persist, according to the United Nations.

by Kanaga Raja

PENANG: Global economic output is projected to expand by 2.7 per cent in 2026, marking a marginal slowdown from the 2.8 per cent expected in 2025, according to the United Nations.

The outlook remains subdued compared with the pre-pandemic average growth rate of 3.2 per cent, underscoring the persistent drag on the world economy, it said.

In its flagship World Economic Situation and Prospects 2026 report, the UN said global growth in 2025 proved more resilient than expected despite steep US tariff hikes, buoyed by strong consumer spending and moderating inflation.

Yet, it said, deeper structural weaknesses remain. Weak investment and constrained fiscal space are dampening economic momentum, heightening concerns that the world economy may be drifting toward a prolonged period of slower growth compared with the pre-pandemic era.

The report said a partial easing of trade tensions helped limit disruptions to international commerce.

However, the impact of higher tariffs, coupled with elevated macroeconomic uncertainties, is expected to become more evident in 2026.

Financial conditions have eased amid monetary loosening and improved sentiment, but risks remain high given stretched valuations – especially in sectors linked to rapid advances in artificial intelligence, it added.

Meanwhile, high debt levels and borrowing costs are constraining policy space, especially for many developing economies.

"A combination of economic, geopolitical and technological tensions is reshaping the global landscape, generating new economic uncertainty and social vulnerabilities," said UN Secretary-General Antonio Guterres.

"Many developing economies continue to struggle and, as a result, progress towards the Sustainable Development Goals remains distant for much of the world," he added.

Global outlook

The global economic outlook remains clouded by elevated macroeconomic uncertainty, shifting trade policies, and fiscal challenge, said the report, adding that geopolitical tensions and financial risks add to these pressures, keeping the global economy fragile.

"In 2025, a sharp increase in United States tariffs created new trade frictions, though the absence of broader escalation helped limit disruptions to international commerce."

Despite the tariff shock, global activity proved resilient, supported by the front-loading of shipments, inventory accumulation, and solid consumer demand underpinned by monetary easing and broadly stable labour markets, said the report.

Continued policy support is expected to cushion the effects of higher tariffs, but growth in trade and overall activity are likely to moderate in the near term, it suggested.

"Global economic growth is estimated at 2.8 per cent for 2025 and is forecast to decline slightly to 2.7 per cent in 2026 before edging up to 2.9 per cent in 2027. The pace of expansion is expected to remain well below the 2010-2019 average of 3.2 per cent."

The report said that subdued investment, high debt levels, and limited fiscal space constrain productive capacity and hold back potential growth in many countries.

"These structural headwinds raise the prospect that the world economy could settle into a persistently slower growth path than in the pre-pandemic era."

Advances in artificial intelligence (AI) could lift productivity growth, but the scale and timing of potential gains remain highly uncertain, and the benefits may be unevenly distributed, deepening existing structural inequalities.

It said across regions, a moderate yet uneven expansion is anticipated for 2026.

Economic growth in Europe, Japan, and the United States of America is projected to hold broadly steady but proceed at a modest pace, with monetary and fiscal support continuing to underpin demand.

Several large developing economies, including China, India, and Indonesia, are expected to continue recording solid growth, driven by resilient domestic demand or targeted policy support.

For the least developed countries (LDCs), the pace of expansion is forecast to strengthen yet remain well below the 7 per cent growth target of the Sustainable Development Goals (SDGs).

The report said recent global developments suggest a fragile outlook shaped by elevated policy uncertainty and softening industrial and trade activity.

"Although trade policy uncertainty has eased somewhat – reflecting partial tariff rollbacks in the United States and a wave of new trade agreements – it remains elevated by historical standards. Global policy uncertainty has declined only moderately after reaching record levels in September 2025, underscoring persistent geopolitical tensions and policy volatility."

Prolonged uncertainty and lingering trade frictions have started to weigh on industrial production and global merchandise trade. Business confidence in major economies has softened, and consumer confidence remains subdued, said the report.

Inflation has continued to moderate across most countries, supported by easing energy and food prices.

However, in several large economies, headline inflation remains above target, sustained by persistent pressures in services.

The report said that disinflation is expected to continue through 2026-2027, though supply risks from growing economic fragmentation, trade frictions, and climate-related shocks may reignite price pressures and prompt a more cautious approach to monetary easing.

"Monetary conditions eased further in 2025, and a softer United States dollar helped lower external financing costs and reduce exchange rate pressures, supporting broadly resilient global financial markets."

Despite elevated macroeconomic and policy uncertainty, capital flows to major developing economies remained robust, strengthening external balances.

Yet sovereign financing conditions remain sensitive to shifts in global risk sentiment, given the high public debt, persistent fiscal deficits, and still elevated long-term borrowing costs in many economies, said the report.

In low-income developing countries, limited access to affordable finance and heavy debt burdens continue to constrain public investment and fiscal support for development, it added.

It said financial stability could also be tested by sharp corrections in asset prices – particularly in technology and AI-related sectors, where valuations have surged amid expectations of large productivity gains and higher future profits.

The UN cautioned that a disorderly adjustment could erode household wealth, dampen consumption, and trigger broader market spillovers.

Progress towards the SDGs remains insufficient and uneven. By 2025, only about 35 per cent of targets were on track or reflected moderate progress, it said.

The report said while global growth has shown resilience in the face of multiple shocks, income convergence between developing and developed economies slowed markedly between 2022 and 2025 in comparison with the previous two decades.

It further said growth in per capita income has decelerated in developing economies, especially in the LDCs and conflict-affected countries, even as it has picked up slightly in developed economies.

"The number of people living in extreme poverty (below $3 per day), after returning to pre-pandemic levels in 2024, declined slightly from 839 million in 2024 to 831 million in 2025."

However, the pace of poverty reduction has slowed significantly over the past decade, and extreme poverty has become increasingly concentrated in sub-Saharan Africa and in countries affected by conflict and fragility, said the report.

Regional outlook

Economic prospects across countries remain uneven, shaped by the combined effects of macroeconomic policy adjustments, exposure to trade tensions, and lingering geopolitical uncertainties, the report stressed.

"While many economies are benefiting from resilient domestic demand and easing inflation pressures, high debt burdens, tight fiscal space, and subdued investment continue to weigh on medium-term growth."

The report said economic growth in the United States is estimated to have slowed from 2.8 per cent in 2024 to 1.9 per cent in 2025 as resilient consumer spending and AI-related investment were partly offset by widening negative net exports and a contraction in investment in residential and business structures.

Growth is projected to edge up to 2.0 per cent in 2026 and 2.2 per cent in 2027, supported by expansionary fiscal and monetary policies that cushion the impact of a softening labour market and moderating wage growth.

It said price pressures are expected to ease gradually as the lagged effects of tariff-related increases dissipate and housing rent growth decelerates, though inflation is likely to remain above the Federal Reserve target of 2 per cent in 2026.

"Downside risks include policy uncertainty, an uncertain fiscal outlook marked by persistent budget deficits and elevated public debt, and the possibility of sharp corrections in equity markets."

Meanwhile, the report said the economy of China is projected to grow by 4.6 per cent in 2026 and 4.5 per cent in 2027 following an estimated 4.9 per cent expansion in 2025.

While escalating trade tensions with the United States raised concerns about external pressures in early 2025, a temporary easing – marked by targeted tariff reductions and a one-year trade truce (effective 10 November 2025) – has helped stabilize market confidence.

Muted inflation reflects still-subdued domestic demand, while ongoing policy measures – including consumption incentives, infrastructure investment, and industrial upgrading – are expected to support economic activity, said the report.

However, it said key risks remain, including the possibility of renewed trade frictions, subdued external demand, and persistent weakness in the property sector.

"In the medium term, the transition towards innovation-driven development – as outlined in the 15th Five-Year Plan for Economic and Social Development of the People's Republic of China, released in October 2025 for the period 2026-2030 – may moderate headline growth but would likely enhance longer-term sustainability."

Growth in the European Union is projected at 1.3 per cent for 2026 and 1.6 per cent for 2027, compared with an estimated 1.5 per cent in 2025, as external headwinds and structural challenges persist, said the report.

It said higher United States tariffs and ongoing geopolitical uncertainty are expected to weigh on exports, while resilient consumer spending – supported by stable labour markets and rising real wages – remains the main driver of growth.

Inflation is expected to stay near central bank targets, allowing monetary policy to remain broadly accommodative and sustain credit expansion and domestic demand.

However, the report said long-standing structural issues – including competitiveness concerns, elevated electricity prices, slow technological diffusion, and population ageing – continue to constrain productivity, holding back the region's growth potential.

In the United Kingdom of Great Britain and Northern Ireland, growth is projected to be 1.1 per cent in 2026 and 1.3 per cent in 2027, down from an estimated 1.4 per cent in 2025, with tighter fiscal policy and trade frictions expected to weigh on economic activity while sticky inflation keeps monetary policy restrictive.

Among the economies of developed Asia, growth in Japan is projected at 0.9 per cent in 2026 and 1.0 per cent in 2027, down slightly from the estimated growth of 1.2 per cent in 2025.

The report said private consumption is expected to continue its gradual recovery, while exports, especially of automotive products, are likely to remain constrained by higher United States tariffs and ongoing trade policy uncertainty.

The Bank of Japan faces a delicate balancing act between containing inflation and supporting wage growth and domestic demand, it added.

In the Commonwealth of Independent States and Georgia, growth is projected at 2.1 per cent for 2026 - down from 4.6 per cent in 2024 and an estimated 2.2 per cent in 2025, said the report.

It said the pace of expansion is expected to accelerate to 2.5 per cent in 2027, but the outlook remains clouded by elevated uncertainties.

Economic performance across the region diverged markedly in 2025, with a slowdown in the Russian Federation contrasting with robust growth in Central Asian economies – a pattern likely to persist in the near term.

"The protracted war in Ukraine continues to shape macroeconomic conditions, affecting inflation, employment, trade, and economic policies. For smaller economies, the fading benefits of serving as trans-shipment hubs for trade with the Russian Federation have been offset by strong domestic demand, underpinned by infrastructure investment."

The UN said in Africa, GDP growth is forecast to gradually strengthen from an estimated 3.9 per cent in 2025 to 4.0 per cent in 2026 and 4.1 per cent in 2027, supported by improved macroeconomic stability, rising investment, and stronger consumer demand.

It said while the region's diversification of export partners helps mitigate exposure to global trade disruptions, structural vulnerabilities persist – particularly in apparel-exporting economies.

Divergent commodity price trends continue to contribute to uneven performance across sub-regions. Inflation has eased from post-pandemic highs but remains elevated, prompting a cautious approach to monetary easing.

High debt-servicing costs continue to constrain fiscal space, while declining official development assistance (ODA) and heightened trade and financial uncertainty weigh on the continent's medium-term outlook, the UN suggested.

In East Asia, economic growth is projected to moderate from an estimated 4.9 per cent in 2025 to 4.4 per cent in both 2026 and 2027.

The strong export performance that boosted growth in 2025 – driven by the front-loading of shipments to the United States ahead of tariff increases – is expected to fade.

Nevertheless, the report said that domestic demand is expected to remain resilient, underpinned by continued disinflation, monetary easing, and fiscal expansion.

"Risks to the outlook remain tilted to the downside, reflecting protracted global policy uncertainty, the impact of higher United States tariffs, and slower growth among major trading partners."

It said the economic outlook in South Asia remains relatively strong. Growth is projected to moderate from an estimated 5.9 per cent in 2025 to 5.6 per cent in 2026 before strengthening to 5.9 per cent in 2027.

Trade policy uncertainty continues to weigh on economic prospects, while high public debt in several countries limits fiscal space and heightens vulnerability to shocks.

In India, growth is estimated at 7.4 per cent for 2025 and is forecast at 6.6 per cent in 2026 and 6.7 per cent in 2027, supported by resilient private consumption and strong public investment, which should largely offset the drag from higher United States tariffs on exports.

Recent tax reforms and monetary easing are expected to provide additional support to near-term growth, the UN said.

Growth momentum in Western Asia is expected to strengthen, with GDP projected to expand by 4.1 per cent in 2026 and 4.0 per cent in 2027, up from an estimated growth rate of 3.4 per cent in 2025, it added.

"In oil-exporting economies, the unwinding of OPEC Plus production cuts will boost oil output and lift revenues, while ongoing diversification efforts – including in manufacturing and digital technologies – will support non-oil growth."

The report said in Turkiye, growth is expected to remain moderate, with robust private demand (supported by monetary easing) tempered by tight fiscal policy and large external financing needs.

The regional outlook remains highly vulnerable to geopolitical risks, as persistent conflicts and security tensions continue to undermine confidence and disrupt trade and investment flows.

Meanwhile, the short-term outlook for Latin America and the Caribbean remains moderate.

Regional growth is estimated at 2.4 per cent for 2025 and is projected to decline slightly to 2.3 per cent in 2026 before edging up to 2.5 per cent in 2027 – reflecting sustained growth above the 2010-2019 average of 1.6 per cent.

The report said that growth is supported by stronger private consumption and a gradual recovery in investment.

Financial conditions have also improved amid relatively stable prices for key commodities, solid capital inflows, and narrowing sovereign spreads.

However, the UN cautioned that new tariff measures and shifts in immigration policies in the United States, alongside elevated shipping costs, are generating uneven impacts across the region, reshaping trade flows, altering supply chain dynamics, and influencing remittance patterns.

The report said that economic growth in the least developed countries (LDCs) is forecast to rise to 4.6 per cent in 2026 and 5.0 per cent in 2027, up from an estimated 3.9 per cent in 2025 but still below both the pre-pandemic (2010-2019) average of 5.3 per cent and the SDG target of at least 7 per cent annual growth.

Headline growth reflects improved or steady performance in several of the largest LDCs, including Bangladesh, Ethiopia, and the United Republic of Tanzania, thanks to stable agricultural output, favourable price trends for certain commodities (including gold), and robust domestic demand amid ongoing reforms under International Monetary Fund (IMF) programmes.

However, the report said many smaller LDCs continue to face significant economic headwinds, constrained by ongoing security challenges, limited fiscal space, and high debt burdens.

Elevated trade tensions and tariff increases imposed by the United States – a market accounting for nearly 10 per cent of LDC exports – are expected to weigh on export performance, it suggested.

Several LDCs, including Lao People's Democratic Republic and Myanmar, are subject to particularly steep tariff increases, reaching around 40 per cent.

Light manufacturing exports – especially textiles and apparel, key sources of employment for women - are hit the hardest, it noted.

"The expiration of the African Growth and Opportunity Act (AGOA) in September 2025 weakens preferential access for African LDCs to the United States market, placing additional pressure on export prospects."

A sharp decline in ODA compounds these challenges, reducing an important source of concessional financing for investment, social protection, and climate-resilience programmes, said the report.

Economic growth for landlocked developing countries (LLDCs) is projected at 4.9 per cent in both 2026 and 2027, down from an estimated 5.3 per cent in 2025.

Divergent commodity-market trends are generating uneven prospects across resource-dependent economies, it added.

For instance, Turkmenistan is projected to benefit from expanding oil production, while weakening diamond prices are weighing on growth in Botswana. Steady remittance inflows continue to support domestic demand in countries such as Nepal and Tajikistan.

However, the UN said persistent logistics bottlenecks and ongoing geopolitical tensions remain major structural constraints for many LLDCs.

The economies of small island developing States (SIDS) are forecast to grow at an aggregate rate of 2.8 per cent in both 2026 and 2027, down from an estimated 3.5 per cent in 2025.

International tourism continues to expand, albeit more slowly than during the post-pandemic rebound, supporting economic activity in many countries.

However, structural vulnerabilities – including high exposure to climate shocks, limited economic diversification, and elevated debt burdens – remain pronounced.

According to the World Bank, as at September 2025, 11 of 37 SIDS were classified as being in or at high risk of debt distress, the report said. *(SUNS #10359)*

Global trade holds firm in 2025, sharp slowdown looms

Global trade proved to be unexpectedly robust in 2025, expanding by an estimated 3.8 per cent despite rising trade policy uncertainty and higher United States tariffs, said the United Nations, attributing this resilience to stronger-than-expected merchandise trade performance despite significant headwinds.

by Kanaga Raja

PENANG: Global trade remained resilient in 2025, expanding by an estimated 3.8 per cent despite heightened trade policy uncertainty and higher United States tariffs, according to the United Nations.

In its flagship World Economic Situation and Prospects 2026 report, the UN said this stronger-than-expected performance reflects the resilience of merchandise trade, which continued to strengthen despite significant headwinds and uncertainties, including heightened United States tariffs and ongoing strains on the multilateral trading system.

Trade in services maintained solid momentum throughout 2025, supported by the strong performance of travel services and digital services as well as the spillover effects from trade front-loading, it added.

In 2026, global trade growth is projected to slow to 2.2 per cent as import front-loading fades and higher tariffs weigh on economic activity, it emphasized.

According to the report, the United States Government raised tariffs sharply in 2025, with the average effective rate climbing from 2.5 per cent in 2024 to an estimated 15 per cent by November 2025 – though still below the nearly 28 per cent announced in April.

"Most United States trading partners now face headline tariff increases ranging from 10 to 40 percentage points, though the effective rate varies significantly depending on specific export baskets and tariff exemptions."

The United States reached numerous bilateral trade agreements during the year, including with major economies such as the European Union, Japan, and the United Kingdom, as well as with smaller partners such as Cambodia, Ecuador, and Malaysia; the status and scope of the agreements differ significantly, the report noted.

"Negotiations with China progressed through several rounds, with initial temporary escalations followed by de-escalation measures such as sustained tariff pauses, prolonged export-control suspensions, and increased agricultural trade."

The United States Government also targeted tariffs at specific sectors, imposing additional levies on imports of steel, aluminium, copper, automobiles and parts, heavy vehicles, lumber, and furniture.

However, the report said broad exemptions were applied to multiple categories such as electronics, machinery, and commodities such as gold and oil, with specific items listed in annex II of Executive Order 14257. Later in 2025, agricultural products also received exemptions.

It said both special rates and exemptions remain highly uncertain, as ongoing section 232 investigations cover products such as pharmaceuticals and semiconductors, and revisions to the exemption list continue in response to supply and price pressures.

While tariff announcements in 2025 unsettled the global trade environment and heightened uncertainty, the world economy remains remarkably integrated, the UN pointed out.

"Despite growing protectionism, global trade (including both imports and exports) still accounts for over 50 per cent of GDP, underscoring persistent interdependence."

As at September 2025, 72 per cent of goods still moved under the most-favoured-nation (MFN) regime – down from over 80 per cent at the start of the year, it suggested.

"These trends underscore the resilience of multilateral norms amid growing fragmentation, suggesting that the core drivers of global integration continue to operate even as higher United States tariffs reshape trade patterns."

The report said with the front-loading effect of higher tariffs dissipating, the trade outlook for 2026 remains muted.

A high comparison base from 2025 is expected to bring the growth rate to a lower level.

Risks to the outlook are two-sided: a renewed escalation of trade tensions and retaliatory measures among major trading partners could further dampen trade growth, while prospects for de-escalation through new or revised trade agreements offer a potential upside, it added.

"Global supply chains are expected to continue adjusting, creating opportunities for deeper trade cooperation among countries and regions that remain open to integration."

In this context, the report said South-South trade has registered notable gains in recent quarters, underscoring its growing role in reshaping global trade dynamics.

Global merchandise trade volume is estimated to have risen by 3.3 per cent year-on-year in 2025, despite higher tariffs and trade policy uncertainty, it added.

"United States merchandise imports saw a temporary surge in early 2025, driven by intensified front-loading ahead of anticipated tariff hikes, particularly for products such as pharmaceuticals and machinery."

It said among developing economies, China continued to lead export growth, supported by strong shipments of manufactured and industrial goods, though notable export gains were also achieved elsewhere, particularly in Africa. Export growth in Africa and Latin America was driven primarily by commodities.

Electronics and machinery remained the primary drivers of merchandise trade expansion in 2025, fuelled by sustained global demand for semiconductors and AI-related components and equipment, it noted.

According to the World Trade Organization, trade in AI-related goods grew by 20 per cent year-on-year in the first half of 2025.

Pharmaceuticals and chemicals also recorded robust growth, partly reflecting the front-loading of United States imports, especially from the European Union.

On the other hand, the report said trade in transportation equipment (including automobiles) stagnated over the same period, with United States imports declining by about 10 per cent year-on-year in nominal terms.

The tariffs and other trade policy actions introduced in 2025 created significant uncertainty (particularly with the frequent suspensions, revisions, and exemptions), raising trade costs, unsettling markets, and placing particular pressure on developing economies, it underlined.

The unpredictability of these policy shifts has complicated efforts to gauge their effects on trade flows and prices worldwide.

Effects vary widely across countries, regions, and products, with the outlook continuing to evolve, it said.

In addition to tariffs, several other measures have shaped trade dynamics in 2025, including export restrictions, port fees, and a surge in anti-dumping investigations.

The number of such investigations reported to the WTO reached an all-time high in 2024, and early 2025 data suggest this trend is continuing.

Meanwhile, the report said trade in services is estimated to have expanded by 5.3 per cent in 2025 in real terms, driven by robust growth across major segments. Growth is projected to remain solid in 2026, easing slightly to about 5 per cent.

However, services trade continues to be dominated by developed economies, which account for about 70 per cent of global services export revenues, it added.

Digital services and solid travel demand are expected to continue underpinning services trade growth.

The rapid adoption of AI technologies is projected to further stimulate demand for digitally delivered services.

The report said according to the WTO, AI could boost global trade by nearly 40 per cent between 2025 and 2040 through higher trade volumes of digitally deliverable services, lower operational costs in merchandise trade, and greater efficiency in service delivery.

The report said growth in travel services has eased following the sharp post-pandemic rebound. International tourist arrivals are estimated to have grown by 5 per cent in 2025, supported by solid demand despite high travel costs and geopolitical risks.

In the first nine months of 2025, more than 1.1 billion tourists travelled internationally, up 5 per cent from 2024 and 3 per cent above 2019 levels.

Emerging shifts

Higher United States tariffs and uncertainty over future market access prompted some realignment of global value chains in 2025, the report emphasized.

While impacts vary across product categories and trading partners, export market diversification has accelerated, particularly among the major trading partners of the United States, it said.

China largely offset reduced exports to the United States by increasing shipments to other regions, notably the Association of Southeast Asian Nations (ASEAN) region and Africa.

Exports from the European Union also proved resilient as trade flows strengthened with regional partners such as Switzerland and the United Kingdom, said the report.

Canada, whose exports to the United States fell by 3 per cent year-on-year in the first half of 2025, increased exports to Africa, the ASEAN countries, the European Union, and the United Kingdom, partially offsetting the decline in exports to the United States.

Mexico and many other Latin American economies continue to rely heavily on the United States market, with only marginal changes in export structures observed in 2025, it added.

Value chain adjustments remain closely linked to evolving dynamics in the maritime trade and shipping industry, said the report, noting that growth in the distance covered by cargo has outpaced growth in traded volumes since 2023.

Meanwhile, it said the volume of cargo travelling through the Suez Canal has yet to return to pre-2023 levels, even though conditions along key routes have largely stabilized, suggesting that global supply chains are still adapting to geopolitical and security disruptions.

However, the prevalence of longer shipping routes points to reduced logistical efficiency and potentially higher costs for firms, it suggested.

The report said that current short-term trade realignments are unfolding within a broader context of structural transformation in global commerce – marked by technological innovation, the rise of services, re-configuration of trade partnerships, and close linkages with international finance.

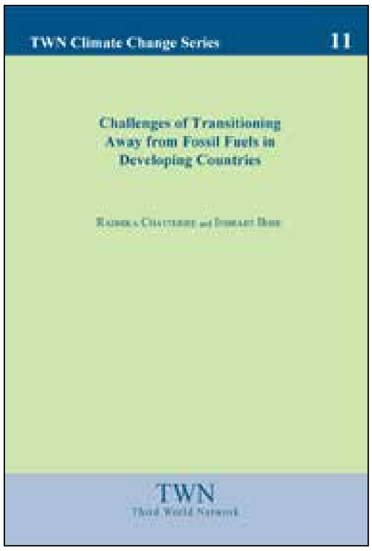
"While some of the effects of these adjustments are already visible in changing trade flows and shipping patterns, others will materialize gradually as long-term structural developments reshape value chains."

This ongoing re-configuration creates new opportunities for integration, particularly for developing countries seeking to enter emerging segments and diversify their export markets, the report concluded. *(SUNS #10359)*

TWN Climate Change Series no. 11

Challenges of Transitioning Away from Fossil Fuels in Developing Countries

by *Radhika Chatterjee* and *Indrajit Bose*



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In 2023, Parties to the Paris Agreement on climate change adopted a decision on 'transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner'. Implementation of this landmark decision will hinge to a large extent on what is deemed 'just, orderly and equitable'.

According to this paper, the Paris Agreement's core principles of equity and 'common but differentiated responsibilities and respective capabilities' of countries require that developed countries take the lead in the transition while also supporting developing countries' own transition efforts.

However, developed countries continue to exceed their fair share of the global carbon budget and are in many cases even planning to expand fossil fuel extraction. Developing countries, on the other hand, face huge challenges in shifting away from the fossil fuel sector, currently a key source not only of energy but also of revenue and employment. They are in fact doing much more than their fair share of climate action despite the many challenges they have to deal with. In light of this, only a transition that advances energy access and promotes sustainable development can deliver climate justice.

Download the book: https://twn.my/title/climate/climate11.htm

Global FDI up 14% in 2025, yet real investment activity remains weak

Global foreign direct investment (FDI) rose 14% to an estimated $1.6 trillion in 2025, driven largely by flows through global financial centres even as real investment weakened and divides between developed and developing economies deepened, according to UN Trade and Development (UNCTAD).

by Kanaga Raja

PENANG: Global foreign direct investment (FDI) rose by 14% in 2025, reaching an estimated $1.6 trillion, with a large share of the increase coming from flows through global financial centers, while real investment activity remained fragile, according to UN Trade and Development (UNCTAD).

In its latest Global Investment Trends Monitor, UNCTAD said investment patterns point to widening divides between developed and developing economies, growing concentration in a handful of strategic sectors and persistent weakness in projects most critical for sustainable development.

FDI flows to developed economies increased by 43% to $728 billion, while flows to developing economies declined by 2% to an estimated $877 billion, or 55% of global flows, it added.

International investment deals and project announcements – including greenfield (mainly industry), project finance (mainly infrastructure), and cross-border mergers and acquisitions (M&As) – were mostly in negative territory, said UNCTAD.

The report highlighted a growing concentration of FDI in projects that are capital-intensive and technology- driven.

Data centers attracted more than one-fifth of global greenfield project values in 2025, with announced investment exceeding $270 billion. Demand was driven by AI infrastructure and digital networks, it said.

France, the United States and the Republic of Korea led as host countries, while emerging markets such as Brazil, India, Thailand and Malaysia also attracted major projects.

Similarly, the value of newly announced semiconductor projects rose by 35%. By contrast, project numbers fell sharply by 25% in tariff-exposed, global value chain-intensive sectors. Textiles, electronics and machinery were particularly affected, said UNCTAD.

While investment in technology-driven, capital-intensive projects lifts overall FDI figures, flows remain highly concentrated and generate limited spillovers, it pointed out.

Global trends

According to the report, global foreign direct investment (FDI) reached an estimated $1.6 trillion in 2025, a 14% increase.

However, a significant part of the increase was due to higher flows through several major global financial centers and investment hubs (economies with significant conduit FDI flows), which added more than $140 billion to the total, with the United Kingdom, Luxembourg, Switzerland and Ireland – in that order – accounting for the bulk.

UNCTAD said that without these “conduit flows”, global FDI rose by only about 5%, highlighting the limited recovery in underlying investment activity.

The number of greenfield project announcements, primarily in industrial sectors, declined by 16%, it added.

“Despite this drop, the total value of greenfield projects remained high, largely driven by large-scale investments in data centers, AI technologies and semiconductor manufacturing.”

International project finance, mainly focused on infrastructure, continued its downward trend, with the number of deals falling 12% and their value declining by 16%, representing the fourth consecutive year of negative growth, despite slightly lower interest rates in both advanced and developing markets, the report said.

Investors are reluctant to make long-term financing commitments for large infrastructure projects.

Furthermore, the boom in renewable energy projects that sustained overall project finance values until recently appears to have run out of steam, it added.

FDI flows to developed economies increased by 43% to $728 billion. Flows to developing economies declined by 2% to an estimated $877 billion, or 55% of global flows.

The report said aggregate FDI flows to least-developed countries (LDCs) increased, but only due to a reversal of negative flows to Angola; with few exceptions, increases in other LDCs were marginal and they were stagnant or declining in three quarters of them.

Looking at income levels, FDI rose by 22% in high-income economies and by 4% in middle-income economies, while it declined by 5% in lower-income countries, said the report.

The stagnant trend in lower-income countries highlights persistent challenges related to financing constraints, risk perceptions, and structural vulnerabilities, it suggested.

The growing concentration of FDI in large-scale data centers and technology-intensive sectors is also making it increasingly difficult for lower-income countries to attract FDI.

The rise in FDI to high-income economies was driven in large part by increased flows to financial centers and investment hubs, but several major recipient economies also registered growth, said UNCTAD.

FDI to the European Union grew by 56%, with leading FDI recipients - Germany, France, and Italy - recording higher inflows, supported by increased cross-border M&A activity.

The report said in Germany, FDI recovered to an estimated $50 billion after exceptionally low inflows in 2024.

In France, inflows rose by 45% to $39 billion, while in Italy, they increased by 53% to $34 billion.

The report said notable transactions included the acquisition of Schenker AG, a German long-distance freight trucking provider, by DSV (Denmark) for $15.8 billion, and the acquisition of Covestro, a German plastics manufacturer, by

ADNOC (United Arab Emirates) for $14.3 billion.

FDI flows to North America remained broadly stable, with the United States – the world's largest FDI recipient – recording a 2% increase in inflows. Cross-border M&A activity declined by 22% to $132 billion.

The report said while M&A sales decreased across most industries, they rose sharply in semiconductors and telecommunications.

The largest deal in the United States in 2025 was the $13.8 billion acquisition of United States Steel Corp by Nippon Steel Corp of Japan.

It said that there were several notable divestments to domestic companies in high-income countries, including the spin-off of Holcim's (Switzerland) North American business to domestic shareholders for $29 billion and the $12 billion merger in the United Kingdom between Three UK - ultimately owned by CK Hutchison Group Telecom Holdings Ltd (Hong Kong, China) - and Vodafone.

As for high-income economies in Asia, the report said inflows decreased in Hong Kong, China, and the Republic of Korea, while they increased in Singapore, Israel, and Saudi Arabia.

In Oceania, FDI flows to Australia fell by one-third to $34 billion, driven by a 62% decline in cross-border M&A activity.

The report said contrasting with the positive FDI numbers – and more indicative of investor sentiment in 2025 - greenfield project activity in high-income economies fell.

Compared with 2024, high-income countries recorded about 2,500 fewer projects, with the sharpest declines observed in Germany, the United States, Spain, France, and Belgium.

Nevertheless, the total value of greenfield investments rose by 22%, largely driven by a four-fold increase in France and a 46% rise in the United States, said the report.

Greenfield project announcements in the United States reached an estimated $360 billion, with more than half of the announced project value concentrated in AI-related sectors, particularly semiconductors ($137 billion) and data centers ($38 billion).

UNCTAD said the decline in greenfield project numbers in high-income economies was broad-based across sectors and industries.

It was largely driven by a 28% drop in supply chain-intensive manufacturing projects, reflecting tariff uncertainty, particularly in electronics, machinery and equipment, and the automotive sector.

Other industries that recorded fewer projects included professional services (down by almost 300 projects) and information and communication (down by more than 200 projects).

International project finance activity in high-income economies also declined by 15%, continuing the downward trend observed in 2023 and 2024, said the report.

Renewable energy projects fell by 1%, with 106 fewer projects than in 2024, while project numbers also dropped sharply in power (-54%) and telecommunications (-21%).

The total value of international project finance declined even more steeply, falling by 27% to $512 billion, a level last seen in 2019.

The largest declines were recorded in renewables, power, and telecommunications. However, investment in transport infrastructure projects doubled, reaching $53 billion.

The report said FDI flows to middle-income countries increased by 4% in 2025, driven mainly by higher inflows to Latin America and the Caribbean (+24%).

FDI inflows to Brazil rose by 42% to an estimated $89 billion, the second-highest level on record, supported by strong investment in renewable energy and green technologies – defying the negative global trend.

However, the report said that as elsewhere, new project announcements remained weak; while the number of greenfield projects announced in Brazil remained unchanged at about 280, their total value declined by 20%.

FDI inflows to Mexico increased by 16% to $44 billion, largely reflecting higher investment in export-oriented manufacturing facilities, with reinvested earnings accounting for a significant share of total inflows.

In Guyana, FDI f lows reached $12 billion – a 42% increase – driven by large-scale investment in offshore oil and gas.

The report said that in Asia, FDI inflows to China declined for the third consecutive year, falling by 8% to an estimated $107.5 billion, with the majority of investment concentrated in strategic and high-growth sectors.

Thailand and Turkiye recorded strong growth in FDI inflows, up 35% and 29%, respectively. In Thailand, the value of announced greenfield projects doubled to $19 billion.

Despite a decline in overall FDI inflows, international project finance in Malaysia doubled in value to $24 billion, with the number of projects rising by 59%, said the report.

It said that in Africa, the most significant development among the few middle-income countries was a major divestment in South Africa, which recorded negative inflows of $6 billion following the $7.2 billion spin-off by Anglo American PLC (United Kingdom) of its 66.7% stake in Valterra Platinum Ltd.

"Greenfield investment activity in middle-income countries declined in both the number and value of announced projects. The number of greenfield announcements fell by 15%, while the total project value dropped by 29%."

Manufacturing projects declined sharply, with project numbers down by 22% and their value falling by 45%, following an 8% decline in 2024, said the report.

As in high-income economies, global value chain-intensive industries were particularly affected, with declines of 26% in project numbers and 43% in value, and especially steep reductions in the automotive sector.

The number of international project finance deals in middle-income countries fell by 7% while the total value of such deals increased by 4%. The largest increases were recorded in Malaysia and Turkiye, it added.

FDI flows to lower-income economies declined by 5% to $159 billion. This is a matter of concern, as FDI is a critical source of external financing for these countries, which continue to face persistent challenges related to financing constraints, elevated risk perceptions, and structural vulnerabilities, the report pointed out.

In Africa, FDI inflows dropped sharply by about one-third, reflecting a return to prior levels after inflated FDI numbers in 2024 due to a single large project.

Among African economies, inflows to Angola reached an estimated $3 billion, marking a return to positive values after nine consecutive years of net divestments.

Egypt, with inflows of $11 billion, remained the largest FDI host country in Africa.

Mozambique recorded an 80% increase in inflows to $6 billion, driven by the resumption and acceleration of construction on major LNG projects.

The report said in Asia, FDI inflows to India surged by 73% to $47 billion, mainly due to large investments in services – including finance, IT, and R&D – as well as manufacturing, supported by policies aimed at integrating India into global supply chains.

Greenfield investment activity in lower-income economies declined in both the number and value of announced projects.

The number of greenfield announcements fell by 10%, representing around 250 fewer projects than in 2024, largely due to declines in Asia, particularly in Bangladesh and Cambodia.

On the other hand, the report said greenfield project announcements increased in Egypt and Cote d'Ivoire, contributing to a 5% rise in total project numbers in Africa, to 639 projects. The largest increase in project numbers was recorded in the automotive sector.

The total value of announced greenfield projects fell by 30% to $189 billion. Most industries recorded lower investment values, with the notable exception of data centers, which saw a 44% increase, it added.

As in middle-income economies, international project finance activity in lower-income countries showed relative resilience, it underlined.

The total value of international project finance increased by 7% to $218 billion, while the number of projects declined by only 5%.

Project finance activity increased in Syria, the Philippines, Viet Nam, and Uzbekistan, but declined in Egypt and India, said UNCTAD.

Industry & infrastructure

Looking at both greenfield project announcements and international project finance deals, the sectors with the largest increases in 2025 were data centers and semiconductors, said the report.

On the other hand, renewable energy, industrial and residential/ commercial real estate, GVC-intensive industries, energy-related sectors, including critical minerals, and infrastructures recorded declines.

It said data centers drove much of the FDI trend in 2025, recording an increase of $125 billion in greenfield announcements and of $30 billion in international project finance.

The bulk of the growth was thus through greenfield investment, contrasting with the traditionally more important role of international project finance within the telecommunications sector.

Proprietary infrastructure is becoming increasingly important due to growing competition in AI technology, it added.

It said total greenfield investment in data centers surpassed $270 billion, representing more than one-fifth of all investment projects.

"The leading host countries for these investments were France, the United States, and the Republic of Korea. Notably, emerging markets such as Brazil, Thailand, India, and Malaysia also ranked among the top ten hosts of data center projects."

Among the largest investors, MGX of the United Arab Emirates announced a $43 billion project to build an AI campus in France, followed by investors from the United States, with total announced greenfield investment projects of $74 billion, China ($28 billion), and Canada ($25 billion).

Greenfield investment projects in renewable energy declined by 28%, falling to $197 billion, or $75 billion less than in 2024, said the report.

It said for the first time, the telecommunication sector surpassed renewable energy in terms of investment value, although renewable energy remains the largest sector by number of projects.

Similarly, the value and number of international project finance deals in renewable energy fell by approximately 7%, reaching their lowest level in the past four years.

Investors have begun pulling back from large-scale projects due to revenue risks, uncertain returns, and regulatory challenges, it suggested.

Investment projects in extractive industries and critical minerals – across both greenfield and international project finance – continued their downward trend in 2025 following the decline in 2024, it further said.

"The total value of newly announced extractive projects fell by 36%, while the number of projects declined by 14%."

The drop in investment in critical minerals was even more pronounced, falling to just $10 billion, or 63% below the 2024 level.

Persistently lower energy prices and heightened price volatility for critical minerals contributed to increased investor caution, UNCTAD suggested.

It said that across industries, overall greenfield project announcements fell 16% in number.

However, with total capital expenditure reaching $1.3 trillion, the value of announced projects remained the third highest on record, supported by a significant number of mega-projects.

Furthermore, semiconductor-related projects - already a significant part of global investment in the electronics industry during 2022-2024 in response to chip shortages – expanded further in 2025, driven by policy-led supply chain restructuring and strong demand for high-end chips for AI data centers.

While the number of project announcements declined slightly by 7%, it remained high at 141 projects.

The largest projects announced in 2025 included a major expansion of TSMC's investment in the United States, involving five advanced fabrication plants and an R&D center to boost domestic AI chip production.

Greenfield projects in global value chain (GVC)-intensive industries declined in 2025 after strong growth over the previous two years, the report pointed out.

Both the number and total value of projects in sectors such as electronics, automotive, machinery, and textiles fell, reflecting a strategic realignment of global production networks, it said.

"The automotive industry - previously a major recipient of large-scale greenfield investments, driven by the transition to electric vehicles (EVs) – also saw declines in both project value and number."

The value of greenfield projects in GVC-intensive industries fell sharply in Mexico and Viet Nam – by 50% and 15%, respectively – while project numbers declined by 16% and 31%, said the report.

It said that in Mexico, the downturn was broad-based across all GVC sectors, while in Viet Nam, increases in semiconductor and automotive projects were insufficient to offset declines in machinery and equipment, as well as textiles and leather.

In 2025, announcements of greenfield projects and international project finance deals in infrastructure declined by 10% in number, while total investment value remained broadly unchanged, it added.

"The decline in project numbers was largely driven by reduced investment in renewable energy for the second consecutive year. In contrast, rising investment values in telecommunications - primarily data centers - helped keep overall infrastructure investment stable."

International project finance - critical for infrastructure development - continued the decline that began in 2023.

The report said in 2025, the number of deals fell by 12% and their value by 16%, largely due to persistent economic and geopolitical uncertainty and the slowing down of internationally financed renewable energy investments.

Overall, international project finance underperformed relative to domestic project finance.

After two consecutive years of decline, projects led by domestic sponsors rebounded strongly, rising by 58% in number and 21% in value, supported mainly by large renewable energy projects, UNCTAD said, noting that domestic sponsors are increasingly filling the gap left by international investors.

Transport infrastructure recorded an increase in project value in 2025, driven by a small number of high-value projects, despite a decline in the total number of deals.

On the other hand, industrial and residential/commercial real estate contracted sharply for the second consecutive year.

In 2025, investment value fell by nearly 40%, while the number of projects declined by 9%.

As investors in supply chain-intensive sectors reassess strategic locations, developers and sponsors of industrial zones are adopting a more cautious approach, the report suggested.

Outlook ahead

Prospects for FDI flows in 2026 are highly uncertain. An increase in flows appears possible, as projections for inflation and borrowing costs in major markets suggest an easing of financing conditions, said the report.

In addition, international project finance is at a five-year low, and highly active M&A markets could lead to more cross-border deals.

However, it said that any increase is likely to be driven mostly by major one-off transactions (the revived talks between Glencore and Rio Tinto a case in point) and by fluctuations in conduit flows through financial centers.

Real project activity is likely to remain subdued, weighed down by continued geopolitical tensions, regional conflicts, policy uncertainty and economic fragmentation trends, it stressed.

It said as in 2025, mega projects in strategic industries, including especially data centers and semiconductors, may support continued high aggregate capital expenditures, even if project activity remains stagnant and more concentrated geographically.

The report noted that during 2025, several countries and regions concluded trade deals with the United States that included investment commitments, most of which were for periods of 5 to 10 years, with some including references to specific projects that would still need to be defined over the coming years.

UNCTAD said that the likely impact of these commitments on investment prospects is thus unclear.

However, the size of the commitments is significant, in some cases representing up to 50% of the total outward FDI stock of the countries and regions concerned. *(SUNS #10366)*

UNCTAD flags ten defining trends as global trade faces crossroads

Global trade is entering 2026 under mounting pressure from slowing global growth and geopolitical fragmentation to rapid digital and green transitions – forces that are reshaping trade patterns, investment choices and global value chains, according to UN Trade and Development (UNCTAD).

by Kanaga Raja

PENANG: Global trade is heading into 2026 amid a convergence of pressures – from weakening global growth and deepening geopolitical fragmentation to the rapid pace of digital and green transitions and increasingly restrictive national regulations, UN Trade and Development (UNCTAD) said on 15 January.

Together, these forces are reshaping trade flows, investment decisions and global value chains, with the greatest risks and opportunities concentrated in developing economies, it added.

In its first Global Trade Update for this year, UNCTAD highlights ten key trends that will define how countries trade in 2026 and how trade policy choices could either reinforce fragmentation or support more resilient and inclusive growth.

Key trends for 2026

The ten key trends highlighted by UNCTAD in its report are as follows:

1. Global growth slows, weighing on developing economies

Global economic growth in 2026 will moderate trade prospects, investment flows, and policy choices, said the report.

UNCTAD estimates global growth will remain subdued at 2.6 per cent in 2025 and 2026, despite potential gains from technologies such as artificial intelligence.

Growth in developing economies (excluding China) is expected to ease slightly to 4.2 per cent in 2026, down from 4.3 per cent in 2025, pointing to a volatile external environment.

According to the report, major economies will also lose momentum. The United States growth is projected at 1.5 per cent in 2026, down from 1.8 per cent in 2025, while China – an essential trade and investment partner for many developing countries – is expected to expand by 4.6 per cent in 2026, down from 5 per cent in 2025.

In Europe, fiscal stimulus in countries like Germany may offer limited support, but overall demand will remain modest.

The report noted that slower growth affects trade through weaker export demand, tighter financial conditions, and greater exposure to shocks.

"Commodity-dependent economies may face heightened price volatility, while access to external finance could become more constrained. Globally, policy volatility may further dampen long-term investment, complicating infrastructure and industrial financing for developing countries."

The impact on developing countries will be significant. Subdued global growth raises the stakes in developing countries by limiting investment and access to finance for infrastructure and industrialization, said the report.

Policymakers will need to adapt strategies – such as strengthening regional integration or digital trade - to counter global headwinds and build resilient development plans toward 2026, it suggested.

2. Trade rule reform reaches a crossroads

The 14th WTO Ministerial Conference (MC14) will take place in Yaounde, Cameroon, against a backdrop of geopolitical tensions and trade uncertainties driven by unilateral tariffs, bilateral deals, and economic security concerns, said the report.

For developing countries, addressing systemic challenges remains a priority, particularly reforming the dispute settlement mechanism and restoring a fully-functioning Appellate Body.

These reforms are essential to safeguard market access and ensure developing members can effectively uphold their rights within the multilateral trading system, it stressed.

Preserving policy space and reinforcing Special and Differential Treatment (SDT) will also be central concerns, it said, adding that SDT provisions are critical for industrialization, value addition, and structural transformation, enabling developing countries to maximize the benefits of global trade.

According to the report, developing countries' interests span several areas, including agriculture and fisheries, with an emphasis on food security and rural livelihoods; electronic commerce, covering regulatory approaches that support digital development strategies, cross-border data flows, emerging services trade models, and the future of the e-commerce moratorium; and the potential integration of the plurilateral Investment Facilitation for Development Agreement (IFDA) into the WTO legal framework.

Deliverables at MC14 will shape the trajectory of WTO reform and global trade governance.

For developing countries, this is a pivotal moment to influence reforms that address contemporary economic challenges and opportunities while also fostering inclusive growth, said the report.

3. Rising tariffs fuel trade uncertainty

In 2026, governments are expected to continue using tariffs as protectionist and strategic tools.

Their role in regulating market access expanded markedly in 2025, led by the United States' tariff increases tied to industrial, geoeconomic, and geopolitical objectives, the report said, adding that as a result, average global tariffs rose, with uneven effects across sectors and trading partners.

It said uncertainty is likely to persist in 2026 as governments pursue a variety of domestic policy objectives using tariffs and other trade policy instruments, including industry support, intensifying industrial policies, addressing trade imbalances, and adjustments to supply-chain reorganization and technological change within existing and new trade agreements.

The report said tariffs shape trade flows by increasing import costs, and even small increases can ripple across markets by weakening demand, shifting sourcing, and re-routing trade.

Frequent policy changes amplify uncertainty, discouraging investment and complicating planning.

Trade volumes may fall not only after tariffs rise, but also as firms adjust preemptively to expected policy shifts.

A volatile tariff environment, therefore, risks undermining global trade growth and efficiency, it added.

The report cautioned that smaller, less diversified economies are particularly exposed to rising tariffs and policy volatility.

Limited capacity to redirect exports or absorb higher costs can lead to revenue losses, fiscal strain, and slower development. Tariff hikes on commodities may also threaten livelihoods and food security.

4. Value chains reconfigure as geopolitics reshape trade and investment maps

Global value chains are shifting. Recent shocks are reshaping production networks as trade tensions and the COVID-19 pandemic pushed firms beyond cost-driven off-shoring and towards risk-aware strategies, said the report.

"This re-configuration is expected to continue in 2026, driven by geopolitical strains, new industrial and climate policies, and technological change."

Firms are diversifying suppliers, "near-shoring" production closer to consumers, and vertically integrating to secure key inputs.

Advances in automation and artificial intelligence are also reducing labour-cost advantages, encouraging production relocation.

Structural shifts are altering trade patterns. Nearly two-thirds of global trade occurs within global value chains, and changes in their configuration are creating new hubs and routes, the report noted.

Some hub countries – key locations where value chain activities are concentrated – and routes through which goods and services move - are expanding faster than average, while others decline.

The report said although supplier diversification can strengthen resilience and thus stabilize trade, it may also introduce inefficiencies and weigh on trade growth.

In this context, UNCTAD said developing economies face both opportunities and risks.

Countries with strong infrastructure, skilled labour, and stable long-term policies are better positioned to attract investment as firms seek new locations.

On the other hand, it said that peripheral economies – especially those reliant on low-cost labour exports – risk marginalization if production concentrates in a few hubs.

Proactive measures, including improved logistics, workforce upgrading, and a stronger investment climate, are essential to remain integrated into global value chains, it suggested.

5. Services drive trade growth, widening digital gaps

Over the past decade, world services exports expanded by about 5.3 per cent annually – more than twice the pace of goods trade – and now account for 27 per cent of global trade, said the report.

In 2025, services export growth is expected to reach 9 per cent, with momentum likely to continue in 2026.

This reflects growing servicification, as services increasingly underpin production across sectors.

By 2022, services made up 71 per cent of global intermediate inputs, including sizeable shares in primary industries (about 18 per cent) and manufacturing (about 31 per cent).

Access to efficient services such as finance, logistics, and information technology, often through imports, has become essential for competitiveness.

Advances in digital technology have made many services tradable at scale. Digitally deliverable services now represent 56 per cent of global services exports, having grown at an average annual rate of 7.1 per cent over the past decade.

However, the report said that a pronounced digital divide remains: in developed economies, about 61 per cent of services exports are delivered digitally, compared with just 16 per cent in least developed countries (LDCs).

At the same time, new barriers are emerging, with the global digital services trade restrictiveness index rising from 0.168 in 2014 to 0.182 in 2024.

Digital services increasingly feature prominently in bilateral and regional trade agreements, such as the AfCFTA Digital Trade Protocol with its 9 Annexes (adopted in 2025, going for ratification by African countries in 2026), recent bilateral deals between the United States and some Asian countries, and ongoing negotiations toward the ASEAN Digital Economy Framework Agreement (DEFA).

Looking ahead, the report said ministerial decisions on electronic commerce and digital transactions at the WTO MC14 may carry significant implications for global strategies aimed at advancing servicification and integrating value chains, as well as for the capacity of developing countries to effectively participate in these activities.

6. South-South trade surges as developing countries drive export growth

According to the report, South-South trade is emerging as a major engine of global trade.

Between 1995 and 2025, South-South merchandise exports are estimated to have soared from about $0.5 trillion to $6.8 trillion, far outpacing both South-North trade and overall world trade growth.

Today, 57 per cent of developing country exports go to other developing markets, up from 38 per cent in 1995.

This surge has been fueled largely by Asia's regional value chains – especially in East and Southeast Asia – where high- and medium-tech manufacturing accounts for roughly half of South-South trade, said the report.

"South-South trade across regions is on the rise. More than half of Africa's exports now go to other developing countries, reflecting deeper regional integration and the growing role of large emerging economies as import markets."

Geopolitical fragmentation could further accelerate this trend, as developing countries increasingly rely on each other to offset weaker demand in advanced economies, it added.

Strengthening South-South linkages could become a key driver of resilience within global trade networks, the report suggested.

7. Environmental concerns remain a key part of global trade initiatives

The report noted that in 2026, international agreements on oceans, biodiversity, fisheries subsidies, and water resources are taking effect, with implications for embedding environmental governance into trade and economic planning.

In 2026, the European Union Carbon Border Adjustment Mechanism will become fully operational, imposing a carbon price on selected imports and, from 2028, on specific steel and aluminium-intensive downstream goods, it said.

8. Critical minerals face volatility amid oversupply and geopolitical risks

Critical mineral markets enter 2026 after a sharp price correction from their 2021-2022 highs.

By late 2025, prices of key minerals essential for clean energy technologies were 18-39 per cent below peak levels, despite notable short-term volatility, said the report.

It said while cobalt prices rebounded strongly in 2025, this increase was largely driven by temporary supply disruptions and export restrictions in the Democratic Republic of Congo, amplified by low inventories and precautionary restocking, rather than by sustained recovery in underlying demand.

Overall, the price decline since 2022 reflects rapid supply expansion, slower-than-expected battery demand, and technological shifts that reduce mineral intensity. These trends are expected to continue in 2026, it suggested.

It also said lower prices have eased cost pressures for electric vehicles and renewable energy producers, but also risk discouraging new mining projects in 2026.

In 2024, investment spending grew by only 5 per cent compared to 14 per cent in 2023 and 30 per cent in 2022.

"Entering 2026, critical-minerals investment remains constrained, with policy-driven funding in the European Union and the United States partially offsetting weak market incentives. Financing is expected to recover only modestly and remain focused on near-mine projects rather than new greenfield development."

UNCTAD said despite lower prices, supply risks persist. Export controls and licensing regimes have intensified, including the Democratic Republic of Congo's cobalt export ban in February 2025 (followed by the introduction of export quotas) and China's controls on seven heavy rare earths and high-performance permanent magnets.

Such measures can tighten supply abruptly, even in a low-price environment.

It said the cobalt episode also signals that some resource-rich countries may increasingly use export restrictions in 2026 to manage market conditions, though adoption is likely to be selective and mineral-specific given fiscal and investment tradeoffs.

"Import-dependent countries are responding through stockpiling and bilateral agreements to secure access to upstream and processing capacity, potentially increasing supply-chain fragmentation and reducing efficiency in 2026."

Resource security will remain a strategic trade issue, as governments intervene to protect critical mineral supply chains.

Despite moderating prices, competition over critical mineral supplies is intensifying and is expected to continue in 2026, said the report.

9. Agricultural trade remains vital for food security

Agricultural trade will continue to underpin food security. Food and agricultural products represent around one-third of commodity exports, with food products making up nearly 87 per cent, the report emphasized.

It said many developing countries depend on food imports to meet basic needs, making open and predictable trade essential.

At the same time, agricultural exports support livelihoods and incomes for millions of farmers and rural workers.

However, it said that agricultural markets remain highly vulnerable to shocks. In recent years, conflicts, trade restrictions, and extreme weather have disrupted food and fertilizer supplies.

Droughts, floods, and storms are becoming more frequent, reducing yields and triggering local shortages.

It said that these shocks keep food prices volatile. Fertilizer markets have been especially volatile, with prices of nitrogenated and phosphate fertilizers surging in 2025 and remaining high, raising production costs for farmers around the world.

Developing countries are particularly exposed, as many lack the fiscal and policy buffers to absorb price spikes.

Keeping global food trade open is a lifeline for vulnerable economies. When domestic harvests fall short, imports can prevent severe shortages.

At the same time, strengthening domestic agriculture is critical to reduce excessive reliance on imports.

It said this requires better access to inputs such as seeds, fertilizer, and machinery; improved rural infrastructure; greater access to finance; and wider adoption of climate-resilient farming practices.

Many low-income countries, however, face low agricultural yields and remain highly dependent on food imports, highlighting the need for international support to boost food security.

Monitoring food commodity markets and providing early warnings will remain key, allowing policymakers to manage import bills, diversify production, and avert food crises while advancing sustainable development, the report suggested.

Increasingly, these priorities overlap with financial stability issues, as financialization of commodity markets is reshaping the agriculture sector, often creating new risks, it said.

10. Trade regulations tighten as national policies reshape commerce

The report said trade-distorting measures are on the rise. Governments are increasingly using trade measures to pursue domestic goals in areas like security, industry, public health, and the environment.

Since 2020, around 18,000 new discriminatory trade measures have been recorded globally, marking a sharp protectionist turn.

Today, technical regulations and sanitary standards affect roughly two-thirds of world trade, covering trade worth US$2.6 trillion.

Major powers are also promoting their own standards abroad, potentially creating rival regulatory blocs that force smaller countries to choose sides.

In addition, trade policy is being applied to climate and social objectives – for example, carbon border taxes and import barriers linked to deforestation or labour practices.

These initiatives address important goals but add new compliance burdens for exporters, said the report.

It said in 2026, the use of non-tariff measures (NTMs) will expand, driven by environmental, social and security priorities alongside persistent protectionist pressures.

While affecting global trade, their impact will fall unevenly, as smaller exporters and lower-income economies face rising procedural and compliance costs.

More flexible global rules and targeted technical assistance will be essential to ensure inclusive implementation, it concluded. *(SUNS #10363)*

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Global unemployment holds at 4.9%, but decent work out of reach

The International Labour Organization (ILO) projects global unemployment to remain unchanged at 4.9 per cent in 2026 even as the world economy grows, warning that this apparent stability conceals persistent structural problems, with millions still stuck in low quality, insecure or informal work.

by Kanaga Raja

PENANG: Global unemployment is expected to hold steady at 4.9 per cent in 2026 – equivalent to 186 million people – even as the world economy continues to grow, according to the International Labour Organization (ILO).

Yet the headline stability masks deeper challenges: millions of workers remain trapped in low quality, insecure, or informal jobs, highlighting the persistent gaps in job creation, labour protections, and access to decent work despite overall economic resilience, it said.

According to the ILO, nearly 300 million workers continue to live in extreme poverty, earning less than US$3 a day, while informality is rising, with 2.1 billion workers expected to hold informal jobs by 2026, with limited access to social protection, rights at work, and job security.

The acute lack of progress in low-income countries is pushing workers with the poorest employment conditions even further behind, it said.

In its Employment and Social Trends 2026 report, the ILO warned that young people continue to struggle, while artificial intelligence and trade policy uncertainty risk further undermining the job market.

"Resilient growth and stable unemployment figures should not distract us from the deeper reality: hundreds of millions of workers remain trapped in poverty, informality, and exclusion," said ILO Director-General Gilbert F. Houngbo.

Resilient growth

According to the report, the global economy remains resilient. Although economic and trade policy uncertainty spiked in early 2025, estimated and expected global GDP growth in 2025 and 2026, respectively, remain broadly in line with projections from 2024.

"The 2025 estimate for global GDP growth was revised upward by 0.7 per cent compared to the first assessment in April 2025 on account of lower-than-expected increases in trade barriers, a front-loading of shipping orders by businesses, easing financial conditions, including lower interest rates, and a weaker US dollar, which supported investment and trade, together with supportive fiscal policies in key economies that bolstered domestic demand."

For 2026, growth is expected to decelerate only marginally to 3.1 per cent, with a slight up-tick to 3.2 per cent forecasted for 2027.

The report said in 2026, GDP in low- and lower-middle-income countries is projected to expand by 5.1 and 5.4 per cent, respectively, while upper-middle- and high-income countries are projected to grow by 3.6 and 1.8 per cent, respectively.

Highlighting the elevated uncertainty and falling confidence, the report said uncertainty indices, which capture financial, economic and policy-related risks, reached unprecedented levels in the first half of 2025.

For example, it said as of September 2025, the economic policy uncertainty index, which is based on newspaper articles in 19 countries, stood at twice the average of the period 2010 to 2019.

World trade uncertainty, which is based on textual analysis of country reports by the Economist Intelligence Unit for around 200 countries and territories, is still close to its peak value, it added.

"Economic uncertainty can depress both investment and hiring by firms and consumer spending, weakening aggregate demand and creating significant downside risks for labour markets."

The ILO said amid an unclear future outlook, firms often reduce new vacancies or freeze hiring.

Heightened economic uncertainty was one of the key factors contributing to the prolonged recession following the 2008-09 financial crisis, which was accompanied by a global jobs crisis.

In trade relations, policy uncertainty can lower foreign direct investment flows and depress overall investment activity, as firms face greater uncertainty about future demand, it pointed out.

Financial market reactions to uncertainty, such as tighter credit conditions or higher risk premia, can further amplify these effects, creating a feedback loop that reinforces the economic slowdown, the ILO cautioned.

The report said projected economic and employment growth prove to be quite resilient, suggesting that current levels of heightened uncertainty and weakened confidence have not yet tipped the economy into a downturn.

For example, job vacancies in 19 countries with available data have receded to a more neutral stance from their unusually high levels following the post-COVID recovery.

Falling vacancies reflect the hesitancy of firms to expand their workforce amid uncertainty.

However, declining vacancy postings have not yet led to higher unemployment rates, since ageing populations limit lay-offs for fear of facing future labour shortages and reduce the required number of newly created jobs, said the report.

As a result, new labour market entrants could face greater difficulty in securing employment in this environment, it suggested.

Risks to outlook

The ILO said high geopolitical uncertainty suggests significant downside risks to the forecasts.

A significant decline in business and consumer confidence, coupled with a further reduction in vacancies, could eventually depress employment growth, raise unemployment rates, and constrain wage growth and domestic consumption.

It said faltering aggregate demand in major economies would cause global ripple effects on trade-dependent employment through global supply chains.

"Falling official development assistance (ODA) and increasingly restricted global migration can have serious medium-term social and labour market consequences in low-income countries."

Remittances form an important source of household income in low- and middle-income countries, reaching a total of US$685 billion in 2024.

The report said restricted migration flows reduce the medium-term income potential from remittances, whereas ODA is often heavily concentrated in social sectors, such as health and education, as well as other vital services.

As such, the direct health and social impact is likely much higher than measurable labour market outcomes, although the medium-term impact on human capital accumulation could be significant.

It also said rising public debt further limits the fiscal space needed to implement policies that support labour markets, increasing the risk of crises with severe social repercussions.

Global public debt remains higher than pre-COVID levels and is expected to surpass 100 per cent of global GDP by 2029, the highest level since 1948.

This is largely driven by advanced economies, where fiscal consolidation after the COVID shock has proceeded slowly.

Mounting debt stocks and higher term premia, as observed in several countries, raise the probability of default, said the report.

The challenge of debt reduction is not limited to advanced economies. Since 2019, the majority of emerging and developing economies have seen government debt rise as a share of GDP, it noted.

Although the depreciation of the US dollar in 2025 has eased financing conditions for some emerging-market economies, potential future increases in term premia could elevate refinancing difficulties, raising the prospects of debt distress, the report said, adding that past episodes of major debt events have been shown to significantly depress labour market outcomes.

It said governments dealing with large fiscal imbalances face difficult trade-offs that limit their ability to pursue labour-enhancing policies such as education, lifelong learning, social protection and policies aimed at poverty reduction.

The report said this is especially crucial in low- and middle-income countries where formal employment creation and improvements in job quality is an urgent priority, and where debt crises are typically followed by deep currency crises, credit crunches, austerity measures and large declines in aggregate demand, further impeding improvement in job quality.

The acceleration in technological change, particularly in artificial intelligence (AI), has also added a new layer of uncertainty to labour markets, it cautioned.

"The latest wave of generative AI tools has not yet fundamentally reshaped employment patterns, and current analyses do not suggest that entire occupations will be automated away."

Nevertheless, the report said that early evidence indicates that specific labour market groups, in particular young workers and high-skilled IT professionals, may be disproportionately affected by this wave of digital innovation.

It said beyond actual employment impacts, the uncertainty surrounding AI adoption is already influencing firm behaviour, as businesses are hesitant to hire or expand their workforce until they better understand how AI might alter internal operations, skills requirements and their competitive environment.

Labour trends

The global unemployment rate is projected to remain broadly stable throughout 2026 and 2027.

The number of unemployed globally is projected to rise modestly to around 185.8 million in 2026, from 182.9 million in 2024, on account of an expanding labour force, said the report.

This stability in headline unemployment rates against a backdrop of resilient but tepid economic growth can be observed across all country income groups since 2024, it added.

At the regional level, the report said notable improvements are expected in Northern Africa and Latin America and the Caribbean, while a deterioration is projected for Northern America, reflecting a combination of job losses and labour force growth.

"Unemployment rates for both men and women are projected to remain essentially unchanged over the coming two years. Youth unemployment rates are projected to decline slightly following an increase in 2025, with the improvement driven mainly by upper-middle- income countries."

The global jobs gap is expected to grow to nearly 408 million people in 2026, from around 403 million in 2025, said the report.

It said in addition to those unemployed, this includes almost 222 million people of working age who are willing to take up employment but are not defined as unemployed because they are either unavailable or not actively searching for employment due, for example, to care responsibilities or discouragement in the face of insufficient employment opportunities.

The jobs gap rate, which is the ratio of those willing to work but not in employment to the sum of those willing to work plus those in employment, is projected to stand at 10.1 per cent in 2026, unchanged from 2025.

The report said progress in labour market conditions for young people is stagnating. In 2025, the global youth unemployment rate reached 12.4 per cent, while the share of youth not in employment, education or training (NEET) reached 20.0 per cent, meaning that 67.3 million young people were unemployed, and a total of 257 million missed out on the opportunity to gain valuable knowledge and experience for their future labour market prospects.

Following a low point of 19.7 per cent in 2023, the recent reversal of the downward trend in youth NEET rates – projected to continue increasing modestly until 2027 – is particularly worrying, said the report.

NEET rates are lowest in high-income countries and highest in low-income countries, standing at 10.9 per cent and 27.9 per cent in 2025, respectively.

Similarly, the global youth unemployment rate, which had been declining since 2020, stabilized in 2024 at 12.3 per cent and is projected to remain close to that level through 2027, the report suggested.

Meanwhile, the global labour force participation rate (LFPR) is projected to continue its long-term downward trend, declining to 60.7 per cent in 2026 and 60.5 per cent in 2027, from 61.0 per cent in 2024.

This presents an acceleration of the downward trend compared to the period 2015 to 2025, during which rising LFPR of women in lower-middle- and high-income countries slowed the structural decline.

Yet, the continued growth of the working-age population has led to a projected expansion of the global labour force by around 40 million annually, to reach an expected 3.8 billion in 2026, said the report.

Participation rates are projected to decline by 0.5 percentage points in upper-middle- and high-income countries between 2025 and 2027, driven mostly by an increasing older, mostly retired, population.

High-income countries as a group face zero labour force growth, meaning that many of them already have a shrinking labour force.

The ILO said the global composition of the labour force is also changing. Between 2025 and 2030, the share of individuals from low-income countries in the global labour force is projected to increase by 0.7 percentage points and to decline by 0.8 percentage points for high-income countries.

Global employment is projected to grow by 1.0 per cent in 2026, unchanged from 2025 and slightly below its 2010-19 average, it added.

The report said high-income countries are experiencing a significant decline in employment growth, shifting from an average growth of 1.1 per cent annually from 2010 to 2019 to a contraction of 0.1 per cent in 2026, mainly due to population ageing.

Upper-middle-income countries are following a similar demographic transition towards ageing societies, with employment growth reaching just 0.5 per cent in 2026.

On the other hand, the ILO said that low-income countries are projected to experience a robust employment expansion of 3.1 per cent as large youth cohorts enter the labour market.

"However, there exists a lack of quality employment opportunities, which is partly a reflection of weak labour productivity growth, implying that many of these countries risk not benefiting from the potential demographic dividend."

In 2025, women constituted only two-fifths of global employment, pointing to significant barriers to accessing employment.

Globally in 2026, women are projected to face a 0.2- percentage-point higher unemployment rate and a 4.3-percentage-point higher jobs gap rate relative to men.

The report said in 2025, women were around 24.2 percentage points less likely than men to participate in the labour force, while young women were around 14.3 percentage points more likely to be in the NEET category (that is, not in employment, education or training).

In other key findings, the report said globally, improvement in working poverty has slowed over the past decade.

The share of workers living in extreme poverty – that is, on less than US$3.00 a day – declined by a mere 3.1 percentage points between 2015 and 2025, to 7.9 per cent, following a decline of 15 percentage points in the previous decade, equivalent to 284 million workers living in extreme poverty in 2025.

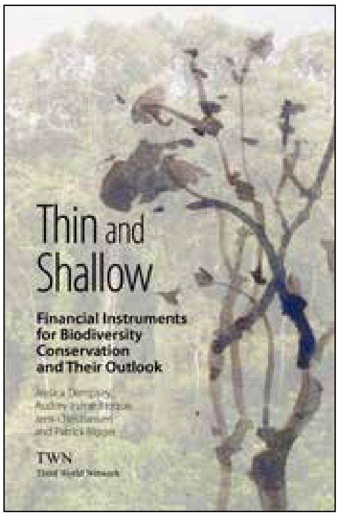
Worryingly, the report said that both extreme and moderate working poverty – that is, less than US$4.20 a day – increased by around 0.7 percentage points in low-income countries between 2015 and 2025, meaning that in 2025, almost 68 per cent of workers in low-income countries lived in extreme or moderate poverty.

Meanwhile, the ILO said the global rate of informality increased by 0.3 percentage points between 2015 and 2025, following a decline of 2.2 percentage points between 2005 and 2015.

In 2026, 2.1 billion workers are projected to be in informal employment. *(SUNS #10362)*

Thin and Shallow: Financial Instruments for Biodiversity Conservation and Their Outlook

Jessica Dempsey
Audrey Irvine-Broque
Jens Christiansen
Patrick Bigger



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This paper examines the track record of private financial mechanisms aimed at funding conservation of biological diversity. It finds that, due to lack of rigorous and consistent benchmarks and monitoring, these investments may not necessarily safeguard biodiversity and could even, in some cases, have adverse impacts. Further, despite decades of attempts to draw private capital to biodiversity protection, the quantum of finance remains limited, especially in the highly biodiverse countries of the Global South where it is most needed.

Written for a research project established by a group of central banks and financial supervisors, this paper cautions these authorities from deploying resources towards promoting such biodiversity-focused private financial instruments. Instead, the supervisory bodies are urged to step up policy coordination to address drivers of biodiversity loss in the financial system.

Available at: https://www.twn.my/title2/books/pdf/Thin%20and%20shallow.pdf

UNCHR warns of rising displacement amid severe funding cuts

The UN Refugee Agency (UNHCR) managed to respond to both new emergencies and worsening protracted crises despite severe funding cuts, but escalating conflicts and instability are placing unprecedented strain on already overstretched humanitarian resources and risk driving even greater displacement.

by Kanaga Raja

PENANG: Despite severe funding cuts, the UN Refugee Agency (UNHCR) responded last year to both new emergencies as well as worsening long-term crises that displaced millions worldwide.

In its 2025 Impact Report, UNHCR underscored the growing strain on humanitarian resources and warned that ongoing conflicts and instability could trigger further displacement while worsening conditions for those already uprooted.

The report stressed the need for sustained focus on durable solutions to address the complex challenges faced by displaced populations.

According to UNHCR, throughout 2025, its teams delivered life-saving protection and assistance across some of the world's most challenging crises.

It said that from supporting people fleeing renewed violence in eastern Democratic Republic of the Congo into neighbouring Burundi and Uganda, assisting those escaping fresh hostilities within and beyond South Sudan, and protecting millions of Afghans who have returned or been forced to return from the Islamic Republic of Iran and Pakistan, UNHCR remained present where needs were most acute.

At the same time, the UN agency noted that long-running crises deepened. Ongoing conflict in Sudan, intensified attacks on Ukraine, and escalating armed confrontations in Colombia continued to drive repeated and secondary displacement, compounding vulnerabilities for millions of already displaced people.

"In 2025, displacement occurred amid protracted conflict, recurrent disasters, and new outbreaks of violence and other emerging crises," said Ayaki Ito, UNHCR's Director of Emergency and Programme Support.

"In this environment, UNHCR teams continued to respond to the needs of people forced to flee, even as severe resource constraints limited our capacity."

According to the UNHCR report, by the end of June 2025 - the latest official data available – an estimated 117.3 million people were forcibly displaced worldwide, a five per cent decrease compared to the end of 2024.

This decline reflects a sharp rise in returns of refugees and internally displaced people in some of the world's largest displacement situations, including voluntary returns, such as to the Syrian Arab Republic (Syria), as well as many that took place under adverse conditions, notably among Afghan, Congolese and Sudanese populations, it said.

However, displacement trends for the second half of 2025 suggest that total displacement figures will be higher at the end of the year, said the report.

The report said severe funding cuts affected every aspect of UNHCR's work, including emergency response, forcing the organization to reduce both the scale of its activities and its workforce by approximately one-third.

While final account closures are still underway, contributions received in 2025 are expected to exceed $3.5 billion, around $1.4 billion (28 per cent) lower than in 2024, it noted.

UNHCR said despite prioritizing life-saving activities and working closely with hundreds of partners, including displaced communities themselves, these constraints significantly limited the scale of interventions at a time when humanitarian needs were rapidly expanding.

Over the course of the year, UNHCR managed 24 active emergency declarations across 16 countries, including 10 new emergencies and 14 crises continuing from the previous year. Of these, seven were classified as Level 1 emergencies, 10 as Level 2, and seven as Level 3 – the highest emergency designation, it said.

All Level 3 emergencies were protracted crises carried over from 2024, underscoring the severity and persistence of major emergencies, notably the conflict in Sudan and its regional spillover, as well as large-scale displacement linked to hostilities in Lebanon and Syria.

The report said that Africa remained the epicentre of displacement dynamics. UNHCR responded to emergencies in 12 countries across the continent, mainly driven by conflict in the Democratic Republic of the Congo, South Sudan, and Sudan.

It said that Asia witnessed two new emergencies: one in Myanmar, where a powerful and deadly earthquake deepened the suffering of people already displaced by long-standing conflict; and another in Afghanistan, where mass forced returns from neighbouring countries converged with a devastating earthquake, further exacerbating humanitarian needs.

Meanwhile, in the Middle East, emergencies declared in late 2024 due to escalating hostilities in Lebanon and Syria continued into the first quarter of 2025, alongside significant returns of Syrians from abroad and from within the country to their areas of origin.

Highlighting its emergency response across several countries last year, the report said in 2025, Afghanistan faced overlapping crises that deepened the vulnerabilities and sharply increased protection needs.

Mass returns from neighbouring countries – many under duress – combined with devastating natural hazards to create a complex emergency, it added.

Return movements surged throughout the year, with major waves in April and September from Pakistan and in June from the Islamic Republic of Iran, following government orders, said the report.

It said Pakistan's expanded repatriation plan targeted all Afghans, including Proof of Registration card holders, accelerating departures – often involuntary.

In the Islamic Republic of Iran, the expiry of Headcount Slips and a new regularization scheme left over 2 million Afghans at risk of deportation. Arbitrary deportations in Tajikistan – including of recognized refugees – added to uncertainty.

Tensions between Pakistan and Afghanistan escalated in the second half of the year, with border closures disrupting humanitarian access.

Pakistan further pressured Afghan refugees to return by de-notifying refugee villages – home to 30 per cent of Afghans – and closing services.

Natural hazards compounded the crisis. From 31 August to 1 September, earthquakes in northeastern provinces killed over 2,200 people, injuring 3,600 others and destroyed 6,300 homes. Another quake struck Mazar-i-Sharif on 3 November, affecting 3,000 families, said the report.

It said that by year's end, over 2.8 million Afghans had returned from the Islamic Republic of Iran and Pakistan, including some 1.4 million deported, while 4.3 million refugees and asylum-seekers remained across the region, underscoring the scale of the protection crisis.

In its response, UNHCR said in 2025, the UN agency continued to biometrically process returnees and provide financial aid to 500,000 people in refugee or refugee-like situations in Afghanistan, helping alleviate hardships for those returning under pressure.

Between August and November, nearly 415,000 returnees from Pakistan received transportation, core relief items, emergency shelter materials and civil documentation – including 115,000 in November alone.

UNHCR's emergency response also addressed natural hazards. After the 31 August earthquake, UNHCR and partners distributed 13,500 relief items to 34,000 people across nine villages in Kunar.

Following the 3 November quake in Mazar-i-Sharif, assistance included 345 blankets, 230 jerry cans, 115 gas cookers, 230 tarpaulins and 230 solar lamps, alongside food and medical support.

UNHCR's operation in Afghanistan was 49 per cent funded in 2025, with $105.4 million received out of the $216.6 required for the year, said the report.

UNHCR's broader response to the Afghanistan situation was funded at 37 per cent, with $176.6 million received out of the $478.4 million required for the year.

Meanwhile, the interagency Regional Refugee Response Plan for the Afghanistan situation was 22 per cent funded, with $137 million received out of the $622 million required for the year.

As a result of funding cuts, protection services for 3.3 million people, including 1.6 million children, came to a halt, including access to case management, psychosocial support, explosive ordnance risk education, and critical financial aid, said the report.

In 2025, Colombia's humanitarian crisis deepened due to intensified armed conflict, rising forced displacement, and confinements imposed on entire communities by non-state armed groups, it said.

It said between January and October, 111 mass displacements affected 87,000 people – an 88 per cent increase compared to 2024 – while 150,000 people were confined, up 67 per cent from last year.

The Catatumbo region in Norte de Santander, bordering Venezuela, experienced the largest displacement ever recorded in Colombia, it pointed out.

In the first 10 months of 2025, over 114,200 people were registered as internally displaced, while 17,800 were confined.

The report said by December, there were nearly 10 million forcibly displaced people in Colombia, including 7.1 million internally displaced people, 2.8 million Venezuelans and 18,000 individuals in reverse flows from north to south.

In response to the escalating crisis in Catatumbo, UNHCR mobilized humanitarian assistance, deployed field teams, and provided technical guidance to strengthen state responses and coordinate protection efforts.

Through one fixed and one mobile Information and Orientation Centre (PAO) in Norte de Santander, UNHCR delivered information, counselling and referrals to 8,000 people.

UNHCR also distributed 42,600 relief items – including hygiene kits, mattresses and blankets – to 40,000 people in Cucuta, El Tarra, Ocana, Sardinata and Tibu.

UNHCR's operation in Colombia was funded at 27 per cent in 2025, with $31.9 million received out of the $118.3 million required for the year, said the report.

As a result of funding cuts, UNHCR was forced to reduce its network of support centres from 75 to 15, sharply limiting access to vital information on rights, documentation and legal stay.

In Catatumbo, more than 63,000 newly displaced people were left without basic relief items such as mattresses, hygiene kits and mosquito nets.

Renewed fighting in eastern Democratic Republic of the Congo (DRC) escalated first in January and then again in December, sharply worsening the humanitarian situation and triggering mass displacement, said UNHCR.

More than 1.6 million people were newly displaced within the country, while 218,000 fled to neighbouring countries – primarily Burundi and Uganda – with smaller numbers reaching Rwanda, the United Republic of Tanzania and Zambia.

The heavy presence of armed actors across North and South Kivu created an extremely insecure environment, leaving civilians caught in hostilities, subjected to human rights violations and exposed to exploitation, it said.

"Rape and other forms of sexual violence continued to be systematically used as a weapon of war. Widespread destruction further devastated daily life; homes, schools and health centres were destroyed, farmland and markets disrupted, and access to clean water, health care, hygiene and livelihoods severely diminished."

Despite the Washington Accords signed between the DRC and Rwanda on 27 June 2025 and then reaffirmed on 4 December, clashes between armed groups and attacks on civilians persisted, hindering humanitarian access.

By year's end, more than 5.3 million people were internally displaced across the DRC, including 3.6 million in the east, alongside over 500,000 refugees hosted by the DRC, said the report.

Despite damaged infrastructure and limited services, more than 1 million Congolese returned to Goma and surrounding areas, while over 1.2 million Congolese refugees remained in neighbouring countries, mostly in Uganda (644,000) and Burundi (113,000).

Despite significant operational challenges, UNHCR and partners continued delivering protection and life-saving assistance in eastern DRC and neighbouring countries, said the report.

In eastern DRC, UNHCR expanded financial aid for families displaced from Lubero to Beni, enabling 27,500 people to cover essential expenses such as basic household items, rent and education.

Shelter support and core relief items reached 33,000 people displaced by renewed fighting, including 19,900 in North Kivu and 14,500 in South Kivu, said the report.

It said in Burundi, approximately 96,000 people arrived from eastern DRC in the first three weeks of December, following earlier arrivals in February when over 71,000 people fled to Burundi, some of whom later returned.

In response to the latest influx, a new site at Bweru was established immediately at the Government's request, with over 50,000 people transferred there in December from temporary sites and transit centres.

It said in Uganda, the response to the influx earlier in the year – 67,000 arrivals by June and a further 11,000 in the second half of 2025 – combined border screening, registration and protection assessments with rapid referrals for those with specific needs.

Around 41,000 severely malnourished children and approximately 19,000 pregnant or breastfeeding women were supported through health facilities.

By the end of the year, more than 57,000 new arrivals from DRC were relocated to Nakivale settlement, where temporary shelters and water, sanitation and hygiene facilities were set up despite limited water supply.

UNHCR's operation in the DRC was 29 per cent funded in 2025, with $68.9 million received out of the $235.5 million required for the year, said the report.

UNHCR's broader response to the DRC situation was funded at 33 per cent, with $103.6 million received out of the $312.9 million required for the year.

Meanwhile, the interagency Regional Refugee Response Plan for the DRC situation was 18 per cent funded, with $142 million received out of the $773.2 million required for the year.

As a result of funding cuts, the report said inside the DRC, shelter assistance for internally displaced people has been reduced by 70 per cent, leaving thousands without a safe place to live.

In Burundi, 70,000 newly arrived refugees remain without shelter, while child protection services, support for survivors of gender-based violence and access to legal aid have been drastically curtailed.

Meanwhile, the report said that in Sudan, the conflict between the Sudanese Armed Forces (SAF) and the Rapid Support Forces (RSF) continued unabated in 2025, driving widespread destruction, civilian casualties and mass displacement. Over 1.1 million people fled to neighbouring countries this year.

In late October, the RSF seized El Fasher after a 500-day siege, forcing tens of thousands to flee and leaving many others trapped inside the city. Attacks on displacement sites and hospitals marked the violence, it said.

Within days, 100,000 people fled El Fasher, with thousands arriving in Tawila and Khazan Jedid and hundreds reaching Al Dabbah. Newly arrived families reported severe violence and rights abuses, it added.

Despite ceasefire agreements in November, clashes persisted across Darfur and Kordofan, pushing more people toward White Nile State and increasing refugee flows into South Sudan.

Cholera further compounded the crisis, with 122,000 cases and over 3,400 deaths reported since July 2024, including 93 refugee cases and four deaths.

The report said that by year's end, 11.9 million of the 14 million people forced to flee since April 2023 remained displaced, including 7.5 million internally and 4.2 million across borders.

Despite the conflict, Sudan still hosted 900,000 refugees and asylum-seekers and saw the return of 2.6 million internally displaced people and refugees in 2025, though most return areas remain devastated.

UNHCR said in response to the crisis following the fall of El Fasher, UNHCR and partners provided life-saving assistance across Darfur and Kordofan, deploying teams for protection monitoring and referrals for survivors of sexual violence, as well as for unaccompanied and separated children.

New protection desks at Tawila's Daba Naira and Dali camps provided psychological first aid, family tracing and medical referrals for survivors of gender-based violence.

UNHCR supplied 50 post-exposure prophylaxis kits, distributed over 1,200 plastic sheets and provided family tents to 35 refugee families.

The cholera response reached 498,000 people in White Nile with treated water, supported 12,100 in Blue Nile, engaged 27,000 refugees with hygiene promotion activities and provided hygiene kits to 16,800 refugees.

In Chad, where 173,000 new arrivals joined nearly 896,000 refugees since April 2023, UNHCR expanded sites and relocated 185,000 from border areas to camps in Ennedi Est, Wadi Fira and Ouaddai, while another 200,000 awaited relocation by year's end.

The report said UNHCR's operation in Sudan was 29 per cent funded in 2025, with $118.9 million received out of $416.7 million required for the year.

UNHCR's broader response to the Sudan situation was funded at 37 per cent, with $411.8 million received out of the $1.1 billion required for the year.

Meanwhile, the interagency Regional Refugee Response Plan for the Sudan situation was 24 per cent funded, with $431 million received out of the $1.8 billion required for the year.

As a result of funding cuts, inside Sudan, access to primary health care, mental health services, and essential medicine, supplies and vaccines was severely disrupted for 380,000 people, the report said.

In Chad, 55,000 families were unable to access adequate shelter by year's end. Water, sanitation and hygiene services remain critically low, with 15,000 latrines and 200 water points still needed to adequately serve the population. In addition, one health centre currently serves up to 70,000 refugees.

Turning to 2026, UNHCR said ongoing conflict and instability in countries including the Democratic Republic of the Congo, Sudan, South Sudan, Ukraine and Venezuela are expected to drive new displacement or further strain already vulnerable populations.

These situations together affect nearly 52 million forcibly displaced people and represent one-third of UNHCR's global funding requirements for 2026. Humanitarian needs are expected to grow significantly this year, it said.

"The risks ahead are clear," Ito said. "Conflicts are intensifying, driving new displacement and deepening the suffering of millions of people who are already displaced and have lost everything."

"The international community must remain engaged and address the root causes of displacement, and in the meantime, UNHCR will continue offering its expertise, networks and tools to prepare for crises, respond with life-saving interventions and build pathways to self-reliance and solutions," Ito added. *(SUNS #10365)*

 Third World ECONOMICS No. 834-835, 1-31 January 2026

Global food prices slip in December despite rising cereal quotations

Global food commodity prices slipped in December 2025, with the FAO Food Price Index averaging 124.3 points – 2.3 per cent below its year earlier level, and more than 22 per cent beneath its March 2022 peak – while the full year 2025 index averaged 127.2 points, up 4.3 per cent from 2024.

by Kanaga Raja

PENANG: World food commodity prices edged down in December, with declines in dairy, meat and vegetable oil prices outweighing increases in those for cereals and sugar, according to the UN Food and Agriculture Organization (FAO).

According to FAO, its Food Price Index (FFPI) averaged 124.3 points in December 2025, down 0.8 points (0.6 percent) from November, as declines in the price indices for dairy products, meat and vegetable oils more than offset increases in cereals and sugar.

The index stood 3.0 points (2.3 percent) below its level one year ago and as much as 35.9 points (22.4 percent) below the peak reached in March 2022, it said.

For the year 2025, the index averaged 127.2 points, 5.2 points (4.3 percent) higher than the 2024 average, said FAO.

The FAO Food Price Index tracks monthly changes in the international prices of a set of globally-traded food commodities.

According to FAO, its Cereal Price Index averaged 107.3 points in December, up 1.8 points (1.7 percent) from November.

It said that renewed concerns over Black Sea export flows lent support to international wheat prices.

However, markets remained pressured down by ample supplies, with confirmation of large crops in Argentina and Australia reinforcing the downward trend.

On the other hand, FAO said world maize markets were boosted by robust export demand and strong domestic ethanol production in both Brazil and the United States of America, while sorghum prices rose in tandem with maize despite a slow pace of sales to China, the world's major importer of sorghum.

The FAO All Rice Price Index rose by 4.3 percent, as prices increased across all rice market segments due to a combination of reduced harvest pressure, improved demand, and supportive policy measures, it said.

For the whole of 2025, the FAO Cereal Price Index stood at 107.9 points, down 5.6 points (4.9 percent) from 2024 and marking the lowest annual average since 2020.

According to FAO, the FAO All Rice Price Index averaged 103.5 points in 2025, down 35.2 percent from 2024, reflecting downward pressure on rice quotations from ample exportable availabilities, intense competition among exporters, and reduced purchases by some importing countries in Asia.

The FAO Vegetable Oil Price Index averaged 164.6 points in December, down 0.4 points (0.2 percent) from November and marking a six-month low, it said.

The decline reflected lower world prices of soy, rapeseed and sunflower oils, which more than offset higher palm oil quotations.

Global soy oil prices declined on ample export supplies from the Americas, while larger rapeseed outputs in Australia and Canada exerted downward pressure on rapeseed markets, said the UN agency.

For sunflower oil, sluggish global import demand due to weakening price competitiveness contributed to price contractions for the second consecutive month in December, it added.

On the other hand, FAO said international palm oil prices edged up slightly, largely underpinned by prospective seasonal production slowdowns in Southeast Asia, outweighing the impact of higher-than-expected outputs and inventories in Malaysia in late 2025.

For the year 2025, the FAO Vegetable Oil Price Index averaged 161.6 points, up 23.6 points (17.1 percent) year- on-year and marking a three-year high amid tight global supplies.

According to FAO, its Meat Price Index averaged 123.6 points in December, down 1.7 points (1.3 percent) from its revised November value, but still 4.1 points (3.4 percent) above its level a year ago.

Prices declined across all meat categories, with those of bovine and poultry meats falling the most, it said.

It said lower world bovine meat prices reflected weaker quotations in Australia, where seasonally dry conditions prompted herd de-stocking, increasing cattle availability for slaughter and exerting downward pressure on prices.

International poultry meat quotations declined, as ample exportable supplies outweighed global import demand.

FAO said that ovine (lamb and mutton) meat prices eased marginally amid larger seasonal supplies entering the market, despite continued solid global import demand.

It said pig meat prices decreased slightly, led by weaker quotations in the European Union amid subdued global demand.

For 2025 as a whole, the FAO Meat Price Index averaged 123.2 points, up 6.0 points (5.1 percent) from 2024, supported by firm global import demand and heightened market uncertainty linked to animal disease outbreaks and geopolitical tensions, said FAO.

World bovine and ovine meat prices were up sharply year-on-year, on robust import demand and limited export availabilities, it added.

On the other hand, it said pig meat prices declined, driven by weaker global import demand, while poultry meat prices edged lower due to abundant supplies.

According to FAO, its Dairy Price Index declined by 5.9 points (4.4 percent) in December.

Butter prices fell sharply, driven by seasonally higher cream availability in Europe and stock accumulation following strong production earlier in the year, it said.

Whole milk powder (WMP) prices also declined, reflecting peak seasonal milk output in Oceania and subdued buying interest from major importing regions.

On the other hand, it said skim milk powder (SMP) and cheese prices eased more moderately.

SMP prices edged down amid ample export availability and stable market fundamentals, while cheese prices declined overall.

FAO said well supplied markets and slower export demand in Europe outweighed firmer cheese prices in New Zealand, where peak milk supplies are mainly absorbed by products with greater processing flexibility, notably butter and milk powders.

Despite the recent declines, the FAO Dairy Price Index averaged 146.9 points in 2025, 13.2 percent above the 2024 average, reflecting strong price increases during the first half of the year.

The annual rise was driven primarily by cheese, WMP and butter, underpinned by strong global import demand and limited exportable supplies earlier in the year, while SMP prices increased only marginally, reflecting ample availability and comparatively subdued demand growth, said FAO.

According to FAO, its Sugar Price Index averaged 90.7 points in December, up 2.1 points (2.4 percent) from November after three consecutive monthly declines, but it remained 28.6 points (24.0 percent) below its level a year ago.

It said the increase in December was mainly driven by a sharp drop in sugar production in Brazil's key southern growing regions, reflecting lower sugarcane crushing and a reduced use of sugarcane for sugar production.

However, expectations of ample global sugar supplies in the current season, supported by good harvest progress and favourable production prospects in India, limited the upward pressure on world prices, it added.

For the entire 2025, the FAO Sugar Price Index averaged 104.3 points, down 21.4 points (17.0 percent) from 2024 and marking the lowest annual value since 2020, amid ample export availabilities, said the UN agency. *(SUNS #10360)*

Third World ECONOMICS No. 834-835, 1-31 January 2026

Trump de-dollarisation accelerant

Although United States President Donald Trump has blamed the BRICS and foreign investors for accelerating de-dollarisation, his own rhetoric and policy actions have been key drivers of the trend's recent momentum, argues *Jomo Kwame Sundaram**.

KUALA LUMPUR: While US President Donald Trump has blamed the BRICS and foreign investors for de-dollarisation, his rhetoric, actions and policy measures are mainly responsible for the trend's recent acceleration.

Although Trump is not the sole cause of de-dollarisation, which began much earlier, well before he became president, his recent initiatives have accelerated the trend.

Despite some temporary reversals, the dollar's post-World War II role as world reserve currency has gradually declined over the decades, especially since the 1970s.

Ben Norton has argued that several Trump measures have accelerated this trend.

Trump claims his supposedly "reciprocal tariffs" will reduce the US trade or current account deficit with the rest of the world.

But if countries cannot export to the US, they cannot earn dollars to meet their trade and investment needs.

Many believe Trump's tariffs and other threats are enhancing US leverage vis-a-vis others, but their reactions, including defensive countermeasures, are accelerating de-dollarisation.

Trump's measures, such as his insistence on bilateral negotiations, have alarmed most nations, including long-time allies.

As nations, including allies, rethink their economic relations with and vulnerability to the US, de-dollarisation inadvertently accelerates.

Trump vs the Fed

The US Federal Reserve Bank's overnight lending or funds rate has been higher since 2022, responding to higher consumer price inflation following the pandemic and the Russian invasion of Ukraine.

As the Fed raised interest rates, yields on US government debt rose. But Trump now wants the Fed to cut interest rates to reduce the high debt servicing costs of both the government and private corporations.

In 2024, the US federal government paid about 3% of GDP in debt interest alone. Although such debt exceeds 120% of GDP, debt service costs are deemed manageable as long as interest rates remain low.

Trump's pressures on the Fed to cut interest rates have inadvertently undermined investor confidence and prompted "flights [from dollar assets] to safety".

Trump's recent campaign against his earlier Fed chair appointee, Jerome Powell, has inadvertently raised investor concerns about his espoused monetary policy priorities.

Investors now worry that Trump is pressuring the Fed to cut interest rates. They believe this will stoke inflation and cause the dollar to fall against other major currencies.

As Trump is seen forcing down interest rates, he risks being blamed for persistent inflation.

If the Fed buys US Treasuries to reduce yields, for a new round of "quantitative easing" (QE), dollar asset investments will realise lower, if not negative, real yields.

Although inflation hawks' worst fears of higher inflation have not materialised so far, few believe tariffs will not raise inflation.

Expecting Trump 2.0 to impose more tariffs, many US companies stockpiled imports before April 2. As tariffs took effect and stocks declined, prices rose.

Many investors have sold their dollar assets as monetary authorities worldwide seek alternatives to the greenback. Such sell-offs lower the dollar's value, further spurring de-dollarisation.

Trump now wants to lower US Treasury bond yields as foreign governments and investors seek alternatives to holding dollar assets.

Many are considering switching to non-dollar assets despite stagnation tendencies elsewhere in the Global North, especially in Europe and Japan.

If investors stop buying dollar assets or sell them to purchase non-dollar assets, de-dollarisation will gain momentum.

Washington is understandably worried that foreign investors will dump Treasury securities. In 2015, a third was held by foreigners, but this has since fallen to under a quarter.

The "Mar-A-Lago Accord" proposal, which requires foreign governments to hold US Treasury "century bonds" for 100 years despite assured losses, will compound resentment.

Lowering Treasury bond yields is both risky and difficult due to the highly financialised US economy. Past bond market turmoil has triggered stock market sell-offs, lowering Treasury yields, share prices and tax revenue.

Government and corporate borrowing costs rise together. As trillions of dollars' worth of corporate bonds mature over the next two years, high interest rates will raise corporations' borrowing costs. Many want to refinance at lower interest rates.

These efforts to bring down interest rates are apparent to all. But lower interest rates and negative "actual yields" for Treasury securities will ensure high inflation persists.

De-dollarisation accelerating?

Trump's actions, especially threats of tariffs and sanctions, have elicited diverse reactions, often undermining dollar hegemony and accelerating de-dollarisation.

Many recent developments have undermined public confidence in the US government and the rule of law, accelerating de-dollarisation.

As investors sold US assets in mid-2025, the dollar saw its biggest fall since the 1973 oil price hike.

It fell by over 10% against other major currencies, triggering temporary falls in the prices of many financial assets, including equities and bonds.

Since then, there has been increased capital market uncertainty and volatility, as in the US bond market, although a strong rally followed the ensuing stock market crash.

In many recent episodes of financial volatility, dollar liquidity was considered the safe option. But in 2025, confidence in dollar assets fell, prompting sell-offs and de-dollarisation.

Thus far, Trump has been adept at managing short-term volatility, but his style implies no one knows when the music will stop. (IPS)

[* **Jomo Kwame Sundaram**, a former economics professor, was United Nations Assistant Secretary-General for Economic Development, and received the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought in 2007.]